

Meeting: AUDIT COMMITTEE

Agenda Item: 6

Date: 16 March 2010

INTERNAL AUDIT PROGRESS REPORT

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1. PURPOSE

To consider progress made against the 2009/10 Internal Audit Plan and proposed amendments to that Audit Plan.

2. RECOMMENDATIONS

The Internal Audit quarterly report as at 3 March 2010 be noted and the amendments to the Audit Plan be approved.

3. BACKGROUND

3.1 The Audit Committee receive periodic progress updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 14 December 2009.

3.2 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also includes proposed amendments to the agreed annual audit plan.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Progress against the Internal Audit Plan is attached, see Appendix A. The following reports and assignments have been issued or completed in the period:

- Equalities and Diversity (Final report issued)
- Building Control (Draft report issued)
- Car Parking (Draft report issued)
- National Non Domestic Rates (Final report issued)
- Council Tax (Final report issued)
- Risk Management Extended Follow Up (Draft report issued)
- Cash and Payments (Final report issued)
- Environmental Health Follow Up Audit
- Taxi Licensing Follow Up Audit
- Whistle blowing awareness campaign completed
- 36 sets of Probity checks on interim contract payments

- 20 Financial Appraisals
 - Ad hoc advice/assurance was provided on eight occasions, which included advice on new arrangements for Corporate Credit Cards and the Mortgage Rescue Scheme.
- 4.2 As at 3 March 2010, 82% of the 2009/10 Audit Plan has been delivered, (excluding unused contingency). This is 10% lower than the target level required, to complete the Audit Plan by 31 March 2010. External service providers have been appointed to deliver 7% of the remaining Audit Plan, requiring the in-house team to deliver 11% of the Audit Plan by the 31 March 2010. Based on the current in-house team's delivery capacity and the use of external service providers, it is anticipated that more than 95% of the total Audit Plan will be completed by 31 March 2010. This includes delivery of all the Key Financial Systems audits, with the exception of the Housing Benefits audit which has been deferred to allow key Revenues staff to complete essential year end and data transfer operations.
- 4.3 The Audit Committee requested at its meeting on 12 January 2009 that audits that exceed their budgeted time allocation by more than 100% should be reported to them. None of the audit activity that has been completed in this period has overrun by more than 100%. However the Car Parking audit and the Building Control audit, which are both currently issued as draft reports, have already exceeded their budget allocation by more than 400% (Car Parking) and 500% (Building Control) so far. There are two main reasons for this overrun:
- A significant number of control weaknesses have been identified (Car Parking)
 - There is still an underlying issue with the delivery of audit assignments within the budgeted time allocation.
- 4.4 In addition, the following Cash and Payments walk through audit exceeded its budget allocation by more than 100%, this was primarily because of changes required to the systems notes and that an element of the audit testing had to be revisited following the internal quality review process.
- 4.5 The following amendments to the Audit Plan have been agreed with the Head of Finance and are detailed in paragraph 4.5 and 4.6 below for Audit Committee approval.
- 4.6 In total 15 days to be taken from contingency for the following reasons:
- 5 days – To provide an independent check on the Council's European Election Accounts
 - 10 days – To investigate additional National Fraud Initiative data matches
- 4.7 In total 10 days to be added back to contingency for the following reasons:
- 7 days – The Budget Setting audit will be incorporated into the Medium Term Financial Strategy audit
 - 3 days – Grant Thornton have advised that they will follow up their 2008/09 IT Audit recommendations and will not require Internal Audit to provide assistance.

4.8 It was agreed at a previous Audit Committee that Internal Audit progress update reports would include the high priority recommendations and their implementation status. Appendix A details seven high priority recommendations that have been formally agreed with Council officers. The implementation dates for two of these recommendations have been extended and therefore are not due until April 2010. One recommendation has been partially implemented and four recommendations have been fully implemented. Members will continue to be updated at future Audit Committees.

5. IMPLICATIONS

5.1 Financial Implications

This report is financial in nature and consequently financial implications are included in the body of the report.

6.1 Legal Implications

None identified at this time.

BACKGROUND DOCUMENTS

None

APPENDICES

- Appendix A - Progress against the 2009-10 Audit Plan as at 3 March 2010
- Appendix B - High Priority Recommendations

APPENDIX A PROGRESS AGAINST THE 2009/10 AUDIT PLAN AS AT 3 MARCH 2010

2009/10 Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
2008-09 Carried Forward – 140 days							
Partnership Working					8	4	Work in progress
Absence Management					10	9.5	Draft report issued
Grounds Maintenance					15	13	Deloitte. Fieldwork complete
Equalities and Diversity	Substantial	0	4	7	10	10	Final report issued
Performance Management					15	10	Work in progress
Fleet Management	Moderate	0	6	9	12	12	Final report issued
Bus Passes					4	2	Work in progress
Energy Management					15	12	Work in progress
Environmental Cleansing					15	13	Deloitte. Exit meeting held
Building Control					10	9.5	Draft report issued
Car Parking					18	17	Draft report issued
Burials					8	4	Work in progress
Key Financial Systems – 75 days							
Housing Benefits					15	5	Deloitte. Planning complete. Testing deferred to March on officer request
Payroll	Substantial	0	1	4	12	12	Final report issued
Creditors	Moderate	1	3	1	8	8	Final report issued
Debtors Follow Up and Walkthrough Testing	Moderate	0	6	7	5	5	Final report issued

APPENDIX A PROGRESS AGAINST THE 2009/10 AUDIT PLAN AS AT 3 MARCH 2010

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
Main Accounting System Follow Up and Walkthrough Testing					5	3.5	Work in progress
NNDR Follow Up and Walkthrough Testing	Moderate	0	7	9	5	5	Final report issued
Council Tax Follow Up and Walkthrough Testing	Substantial	0	4	9	5	5	Final report issued
Cash and Payments Follow Up and Walkthrough Testing	Moderate	0	9	10	5	5	Final report issued
Treasury Management Follow Up and Walkthrough Testing	Substantial	0	3	3	5	5	Final report issued
Key Financial Systems Follow Up and Walkthrough Planning					5	5	Complete
Operational Audits – 74 days							
National Indicators	Substantial	0	4	10	20	20	Final report issued
Licensing					10	8	Deloitte. Exit meeting held
Partnerships					20	15	Work in progress
Elections					12	10	Deloitte. Exit meeting held
Medium Term Financial Strategy					12		Deloitte. Deferred to March 10 on officer request
Risk Management and Governance – 29 days							
Risk Management Benchmarking Exercise					10	10	Completed
Risk Management Extended Follow Up					4	3.5	Draft report issued
Corporate Governance Framework					10	8	Deloitte. Exit meeting held

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
Annual Governance Statement					5		Scheduled for March
IT Audits – 20 days							
Network Infrastructure					8	7	Tribal. Exit meeting held
Capita Application Review					8	2	Tribal. Planning completed. Testing deferred to March on officer request
IT Management					4	3	
Advice, Consultancy and non Assurance work – 81 days							
European Election Accounts					5	2	Work in progress
Laptop Data Security					6	5	Management to provide action plan
Non Main Bank Accounts					6	5	Exit meeting held
Holiday Pay Investigation					3	3	Completed
Ethics and Probity					6	5	4 courses delivered
Ad hoc advice					25	23	Advice provided on 45 occasions
Regulation of Investigatory Powers Act 2000 Compliance					15	12	Year end checks to be completed
Experian Checks					15	14	68 Experian checks complete
Procurement – 45 days							
Contract Payments					45	40	123 probity checks complete

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
Counter Fraud – 40 days							
National Fraud Initiative					30	25	
Counter Fraud Strategy					5	2	In progress
Whistle blowing Arrangements					5	4	Awareness campaign completed
Follow Up of Previous Audit Report Recommendations – 35 days							
Environmental Health 07-08 Follow Up					4	4	Completed. 19 out of 22 recs fully implemented.
Garages Follow Up					5	4	Field work complete
Grant Funding Follow Up					5	4.5	Field work complete
Mortgages Follow Up					2	2	Completed. 1 out of 7 recs fully implemented.
Taxi Licensing Follow Up					4	4	Completed. 12 out of 21 recs fully implemented.
Northgate Housing IT Application Follow Up					3	1	Planning complete
2 nd /3 rd Follow Ups of Information Mgt, Development Control, Homelessness, Housing Advice and HR					5	4	Field work complete
Follow Up Administration					2	2	Completed
High Priority Recommendations Quarterly Follow Up					5	5	Completed
Management – 36 days							
Audit Committee					4	3.5	

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
External Audit Liaison					4	4	Completed
Annual Report and Head of Internal Audit Opinion 2008-09					8	8	Completed
Use of Resources					2	2	Completed
Internal Procedures Development					10	10	Completed
2010/11 Audit Plan					8	8	Completed
Contingency – 29 days					29		Audit plan days to be allocated if required for emerging risks. Unlikely to be fully used.
TOTAL					599	467	

APPENDIX B – HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Implementation Status
1.	Garages 2008/09	It is recommended that advice is sought from Accountancy on calculating the expected garages income at the month end based on the number of garages let in the period. The expected garages income is reconciled monthly against the actual income stated on Integra. The monthly garages income reconciliation is signed and dated as reviewed by the Property Manager.	Agreed	Property Manager	October 2009	<p>Implemented</p> <p>The reconciliation has been prepared by Accountancy and a variance of £5k is being investigated.</p>
2.	Taxi Licensing 2008/09	It is recommended that on a monthly basis the Taxi Licensing actual income recorded on the Payment Slip is reconciled to Taxi Licensing Accounts on the Council's accounting system [Integra].	<p>Agreed.</p> <p>IT will be consulted to assist in the implementation of this recommendation. May require further exploration.</p>	Licensing Manager	May 2009	<p>Partially Implemented</p> <p>The Licensing Manager is finalising the solution to implement this recommendation. The implementation date has been extended from May 2009 to December 2009.</p> <p>Feb 10 update - Internal Audit were advised that due to severe resourcing issues it is unlikely that this recommendation will be completed by the revised</p>

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						implementation date. Accountancy will provide assistance in implementing this recommendation.
3.	SBC Creditors 2008/09	It is recommended the Exchequer Manager liaises with the System Accountant, to create a report which identifies bank detail changes on Supplier accounts, this report should be checked on a periodic basis against expected changes and any discrepancies highlighted and investigated.	Agreed	Exchequer Manager /Systems Accountant	July 2009	Implemented Feb 10 Update – The System Accountant has developed a report which has been verified and used by Exchequer.
4.	Integra GL Finance Application Audit 2008/09	It is recommended that periodic user access reviews should be conducted to ensure unused accounts are disabled on a timely basis.	Agree. A full review of user access will be conducted to establish a baseline position. A process will then be introduced to regularly (e.g. quarterly) review user access to ensure that access is	Head of E-Government & Business Systems	December 2009	Extension to implementation date given The baseline position was to be established as part of the upgrade to the Integra system. The upgrade has yet to commence due to delays in the implementation of the replacement Revenues and Benefits system. The Integra upgrade is now due to be complete by April 2010.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Implementation Status
			appropriate.			
5.	Integra GL Finance Application Audit 2008/09	It is recommended that, as per the stated implementation date of December 2009, management develop their Business Continuity Plan (including the technical element). Once implemented, management should adequately test the plan on a frequent basis to ensure its continued effectiveness. Management should also ensure that the Integra application can be recovered at an alternative site in line with agreed business expectations	Agree. The technical solution is to be in place by June 2009. A fully documented BCP plan for the IT element is to be in place for December 2009.	Head of E-Government & Business Systems	December 2009	<p>Extension to implementation date given</p> <p>The system has been moved to the Council's 'virtual' infrastructure, which is core to the organisation's Business Continuity arrangements. Herts County Council's offices in Stevenage have been identified as a potential secondary site and discussions about the feasibility and associated costs are ongoing.</p>
6.	CCTV 2008/09	It is recommended that advice is sought from Accountancy Services to set up a CCTV trading account	Agreed	CCTV & Parking Services Manager	December 2009	<p>Implemented</p> <p>CCTV & Parking Services Manager has been in communication with Accountancy, a Trading account has been set up will be operational from 1 April 2010.</p>

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7.	Creditors 2009/10	It is recommended that the ability for Exchequer officers to print manual cheques is removed. Officers that do not have editing access to Integra should print the manual cheques.	Agreed. The ability for Exchequer Officers to print manual cheques has now been removed. New procedures have been drawn up involving the Print Manager and an IT support Officer. They have all been consulted. Exchequer Officers no longer have any access permissions to the cheque signing machine or anything to do with the print process.	Exchequer Manager	December 2009	<p>Implemented</p> <p>The ability for Exchequer officers to print manual cheques has been removed. IT staff and the D P C Manager continue to have access.</p>

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